

IN THE UNITED STATES PATENT AND TRADEMARK OFFICE  
REQUEST FOR FILING NATIONAL PATENT APPLICATION

Under 35 USC 111(a) and Rule 53(b)

PATENT APPLICATION

Hon. Commissioner of Patents  
Washington, D.C. 20231

WITH SIGNED DECLARATION

JC715 U.S. PTO



Sir: 11/17/00

NONPROVISIONAL  
NON REISSUE  
NON PCT NAT PHASE

JC945 U.S. PTO  
09/714619  
11/17/00

Herewith is the PATENT APPLICATION of  
Inventor(s): Harold P. MINTZ

Title METHOD OF OPERATING A VENTURE BUSINESS

Atty. Dkt.: PM 275071  
M#

Client Ref

including:

Date: November 17, 2000

1. Specification: 20 pages (only spec. and claims) 2. ☐ Specification in non-English language  
3. Declaration ☐ Original ☒ Facsimile/Copy ☒ Abstract 1 page(s); 25 numbered claims  
4. ☒ Drawings: 5 sheet(s) ☐ informal; ☒ formal of size: ☒ A4 ☐ 11"  
5. ☐ See top first page re prior Provisional, National or International application(s). ("X" box only if info is there and do not complete corresponding item 5 or 6). (Prior M# SN )  
6. AMEND the specification please by inserting before the first line: -- This is a ☐ Continuation-in-Part  
☐ Divisional ☐ Continuation ☐ Substitute Application (MPEP 201.09) of:  
6(a) ☐ National Appln. No. / filed (M# )  
6(b) ☐ International Appln. No. filed  
7. ☐ AMEND the specification by inserting before the first line: -- This application claims the benefit of U.S.  
Provisional Application No. 60/ , filed . --  
8. ☒ Attached is an assignment and cover sheet. Please return the recorded assignment to the undersigned.  
9. ☐ Prior application is assigned to

by Assignment recorded Reel Frame

10. FOREIGN priority is claimed under 35 USC 119(a)-(d)/365(b) based on filing in (country)  
11.

Application No.	Filing Date	Application No.	Filing Date
(1)		(2)	
(3)		(4)	
(5)		(6)	
(7)		(8)	
(9)		<input type="checkbox"/> See 3 <sup>rd</sup> page for additional priorities	

- \*12. (No.) Certified copy (copies): ☐ attached; ☐ previously filed (date)   
in U.S. Application No. / filed on  
\*13. Small entity status ☐ is not claimed; ☒ is claimed (Pre-filing confirmation required)  
13(a) ☐ Attached: (No.) Small Entity Statement(s) (since 9/8/00 small entity statement(s) not essential to make claim)  
13(b) ☐ See NONPUBLICATION REQUEST under Rule 213(a) attached (PAT-258)

14. DOMESTIC/INTERNATIONAL priority is claimed under 35 USC 119(e)/120/365(c) based on the following provisional, nonprovisional and/or PCT international application(s):

Application No.	Filing Date	Application No.	Filing Date
(1)		(4)	
(2)		(5)	
(3)		(6)	

15. ☐ This application is being filed under Rule 53(b)(2) since an inventor is named in the enclosed Declaration who was not named in the prior application.

16. ☐ Attached:

17. ☐ Preliminary Amendment:

**THE FOLLOWING FILING FEE IS BASED ON CLAIMS AS FILED LESS ANY ABOVE CANCELLED**

				Large/Small Entity		Fee Code
18. Basic Filing Fee				\$710/\$355	\$355	101/201
19. Total Effective Claims	25	minus 20 =	*5	x \$18/\$9 =	+ 45	103/203
20. Independent Claims	6	minus 3 =	*3	x \$80/\$40 =	+ 120	102/202
*If answer is zero or less, enter "0"						
21. If any proper multiple dependent claim (ignore improper) is present, add (Leave this line blank if this is a reissue application)				+ \$270/\$135	+ 0	104/204
22. TOTAL FILING FEE ENCLOSED =					\$520	
23. If "non-English" box 2 is X'd, add Rule 17(k) processing fee				+ \$130	+ 0	139
24. If "assignment" box 8 is X'd, add recording fee				+ \$40	+ 40	581
25. <input type="checkbox"/> Attached is a Petition/Fee under Rule No.				+ \$130	+ 0	122
26. TOTAL FEE ENCLOSED =					\$560	

Our Deposit Account No. 03-3975

Our Order No. 82098

C#

275071

M#

**CHARGE STATEMENT:** The Commissioner is hereby authorized to charge any fee specifically authorized hereafter, or any missing or insufficient fee(s) filed, or asserted to be filed, or which should have been filed herewith or concerning any paper filed hereafter, and which may be required under Rules 16-18 (missing or insufficient fee only) now or hereafter relative to this application and the resulting Official document under Rule 20, or credit any overpayment, to our Account/Order Nos. shown above for which purpose a duplicate copy of this sheet is attached.

**This CHARGE STATEMENT does not authorize charge of the issue fee until/unless an issue fee transmittal form is filed.**

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NOTE: File in duplicate with 2 post card receipts (PAT-103) & attachments

# APPLICATION UNDER UNITED STATES PATENT LAWS

Atty. Dkt. No. PM 275071  
(M#)

Invention: METHOD OF OPERATING A VENTURE BUSINESS

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This is a:

- ☐ Provisional Application
- ☒ Regular Utility Application
- ☐ Continuing Application
  - ☐ The contents of the parent are incorporated by reference
- ☐ PCT National Phase Application
- ☐ Design Application
- ☐ Reissue Application
- ☐ Plant Application
- ☐ Substitute Specification
  - Sub. Spec Filed \_\_\_\_\_
  - in App. No. \_\_\_\_\_ / \_\_\_\_\_
- ☐ Marked up Specification re
  - Sub. Spec. filed \_\_\_\_\_
  - In App. No \_\_\_\_\_ / \_\_\_\_\_

## SPECIFICATION

## METHOD OF OPERATING A VENTURE BUSINESS

### BACKGROUND OF THE INVENTION

The present invention relates generally to the structuring of a venture capital business, and more particularly, to one which provides unique participation opportunities for investors.

Conventional venture capital is typically conducted by establishing a venture capital or buyout fund in the form of a partnership or limited liability company. Where the fund is set up in the form of a partnership, it includes a general partner and limited partner investors. Where the fund is set up in the form of a limited liability company, or other business entity other than a partnership, it typically includes a managing member and member investors.

The general partner or managing member of the typical venture capital fund is usually responsible for attending to the day-to-day administrative functions associated with running the fund. The investors provide the great majority (e.g., typically about 95%- 99%) of the capital that goes into the fund for the fund to invest in various portfolio companies. The general partner or managing member typically contributes a smaller amount (e.g., approximately 1%-5%). The general partner/managing member may earn a carried interest (a percentage of the fund's profits from successful investing) of typically about 20%. In addition, the general partner, or a separate management entity, will be paid an annual management fee (e.g., about 2% of the total capital committed to the fund).

Although venture capital funds can potentially provide significant returns to the fund investors, such returns are limited to the performance/profits of the fund alone.

Venture capital may also be conducted in the form of a corporation ("venture corporation") that makes direct investments in companies. It has also been known for venture corporations to establish and run a venture capital fund. These models are less prevalent than the traditional fund approach.

From time to time, portfolio companies in which the fund or venture corporation invests may become sufficiently successful to have an opportunity to raise significant capital through an initial public offering (IPO). Venture capital funds or venture business entities that have invested in a company that is having an IPO may have an opportunity to participate in the IPO via a Directed Share Subscription Program (DSSP) or rights offering. Occasionally, when a venture capital fund or venture corporation agrees to invest in a portfolio company, the portfolio company may agree to lock up a predetermined, disproportionate number of IPO shares in favor of the venture capital company in the event that the portfolio company is subject to an IPO.

From an investor's perspective, while many are interested in participating in IPOs, access to the same has been primarily limited to institutions and high net worth investors directly invested in venture capital funds or having ties to large underwriting institutions. While recently an assortment of venture capital groups have gone public, the vast majority are still traditional private funds inaccessible to the general public. The typical private fund model requires a large initial investment with a long lock up period (the period for which the investors are prohibited from transferring or selling their interests). The lock up period is typically for the life of the fund (usually a seven year commitment), and there are substantial restrictions imposed with respect to salability and transferability.

It is an object of the present invention to provide a method of operating a venture capital investment business that provides a unique opportunity for investors to participate in IPOs. In accordance with this object, the present invention provides a method of operating a venture capital investment business, comprising establishing a business entity; the business entity establishing an investment fund; establishing a fund managing entity of the investment fund, the fund managing entity attending to administrative matters relating to the investment fund and making investment decisions for the fund; the investment fund having investors that

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provide capital contributions to the fund, the fund managing entity also providing capital contributions to the fund, the fund utilizing the contributions to invest in portfolio entities; the investors receiving a general participation interest in the fund, and the fund managing entity receiving a carried interest in the fund; providing the investors that have provided at least a threshold capital contribution to the fund with stock rights in the business entity to enable such investors to become shareholders in the business entity; the business entity securing a portion of IPO shares that become available in the portfolio entities; and the business entity enabling shareholders thereof to purchase IPO shares that become available in the portfolio entities.

It is a further aspect of the invention for the fund managing entity to have at least one other fund managing entity to direct investment decisions for the fund, and to provide said at least one other fund managing entity with stock rights in the business entity to enable said at least one other fund managing entity to become a shareholder in said business entity. Through this vehicle, the at least one other fund managing entity can purchase IPO shares that become available in the portfolio entities.

It is a further aspect of the invention to provide such a venture capital investment business wherein portfolio entities are provided with stock rights in the business entity.

It is a further aspect of the invention to provide a method of distributing stock rights, wherein capital contribution information is received relating to an amount of capital contributed by an investor to a fund, the fund having investments in a portfolio entity; the capital contribution information is compared to a threshold value; and consequent to said comparing, stock rights in a business entity having stock rights in the portfolio entity are assigned to the investor.

It is a further aspect of the invention to provide a data storage medium having machine-readable code stored thereon, the machine-readable code including instructions

Figure 1 consists of 12 bar charts, each representing a different variable. Each chart has four bars corresponding to the groups: All respondents, Nonusers, Users, and Users who have used the program for more than 1 year. The y-axis for all charts represents the percentage of respondents, ranging from 0 to 100. The x-axis labels are: All respondents, Nonusers, Users, and Users who have used the program for more than 1 year.

- Age:** All respondents (100%), Nonusers (~100%), Users (~100%), Users who have used the program for more than 1 year (~100%).
- Sex:** All respondents (100%), Nonusers (~100%), Users (~100%), Users who have used the program for more than 1 year (~100%).
- Education:** All respondents (100%), Nonusers (~100%), Users (~100%), Users who have used the program for more than 1 year (~100%).
- Income:** All respondents (100%), Nonusers (~100%), Users (~100%), Users who have used the program for more than 1 year (~100%).
- Marital Status:** All respondents (100%), Nonusers (~100%), Users (~100%), Users who have used the program for more than 1 year (~100%).
- Employment Status:** All respondents (100%), Nonusers (~100%), Users (~100%), Users who have used the program for more than 1 year (~100%).
- Health Status:** All respondents (100%), Nonusers (~100%), Users (~100%), Users who have used the program for more than 1 year (~100%).
- Attitude toward Technology:** All respondents (100%), Nonusers (~100%), Users (~100%), Users who have used the program for more than 1 year (~100%).
- Attitude toward the Program:** All respondents (100%), Nonusers (~100%), Users (~100%), Users who have used the program for more than 1 year (~100%).
- Attitude toward the Provider:** All respondents (100%), Nonusers (~100%), Users (~100%), Users who have used the program for more than 1 year (~100%).
- Attitude toward the Program Provider:** All respondents (100%), Nonusers (~100%), Users (~100%), Users who have used the program for more than 1 year (~100%).

## BRIEF DESCRIPTION OF THE DRAWINGS

FIG. 2 is a flowchart representing the software logic employed in accordance with another aspect of the present invention; and

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## DETAILED DESCRIPTION OF THE DRAWINGS

Illustrated in FIG. 1 is a diagrammatic representation of a venture capital investment business, as generally indicated at 10, in accordance with the principles of the present invention.

As illustrated in FIG. 1, a business entity 12 is established. The business entity 12 makes stock and certain stock rights available therein. In a preferred embodiment, the business entity 12 is incorporated and is a public company. The business can also be a limited liability corporation (L.L.C.), partnership, trust, or other unincorporated organization. The stock rights available in the business entity 12 are preferably stock options, but may also be warrants, restricted stock grants, phantom stock rights, stock appreciation rights, or other commonly accepted rights to acquire shares or equity in the business entity 12.

As also shown in FIG. 1, an investment fund 14 is established. A fund managing entity 16 of the investment fund 14 is also established. The fund managing entity 16 attends to the day-to-day administration and operations of the fund 14. In the event that the fund 14 is established in the form of a limited partnership (L.P.), then the fund managing entity 16 is a general partner of the fund. In the event that the fund 14 is established in the form of a limited liability corporation (L.L.C.) or other type of business entity other than a partnership, then the fund managing entity 16 is a managing member of the fund 14.

The fund 14 has investors 18 that provide capital contributions to the fund 14. The investors 18 will be members of the fund in the event that the fund 14 is established as a limited liability corporation or other type of business entity other than a partnership. The investors 18 will be limited partners of the fund 14 in the event that the fund 14 is established as a limited partnership.

The fund managing entity 16 also provides capital contributions to the fund 14. Approximately 95%-99% of the capital contributions is received from the investors 18 and



approximately 1%-5% is received from the fund managing entity 16, but these percentages are preferred examples only. In a preferred embodiment, the fund managing entity 16 receives the money to make its 1%-5% contribution from the business entity 12.

Preferably, the fund 14 is set up as a partnership, with the fund managing entity 16 being a general partner of the fund 14, and the fund investors 18 being limited partners in a limited partnership (L.P.) fund 14. Preferably, the general partner, fund managing entity 16, is established in the form of a limited liability corporation (L.L.C.), but can be any other organization suitable to operate as the fund managing entity 16.

The fund 14 utilizes the capital contributions from the investors 18 and the fund managing entity 16 to invest in portfolio entities 20. The portfolio entities 20 are, for example, companies or other business organizations that the fund 14 has determined to be good investments. The fund managing entity 16 may employ at least one other fund managing entity 26 to direct investment decisions and manage the fund. This other fund managing entity 26 may be a person or business.

The investors 18 and fund managing entity 16 both receive an earned percentage interest in the fund's profits from successful investing. Specifically, the investors receive what is termed a general participation interest in the fund. It is contemplated that the general participation interest will preferably be a return of capital, plus a preferred rate of return (e.g., between 7-9%, and most preferably 8%), plus a pro-rata share (based on the relative capital contributed) of about 80% of the fund's profits. The fund managing entity receives a return of capital, plus what is termed a carried interest or "carry" in the fund, which is typically about 20% of the fund's profits.

In accordance with the principles of the present invention, the investors 18 that provide at least a threshold capital contribution amount into the fund 14 will be entitled to receive a portion of the stock rights in the business entity 12. For example, in a preferred

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embodiment, limited partner investors 18 that invest \$1,000,000 or more in the fund 14 will be entitled to receive stock options or warrants in the business entity 12. It is contemplated that the threshold capital contribution will be based on a requirement that the investor invest a predetermined amount of money into the fund. While the threshold contribution of \$1,000,000 noted above is preferred, this is exemplary only. Also, it is contemplated that an investor 18 that invests as little as \$100,000 may be entitled to stock rights.

It can be considered that the investors 18 that are entitled to stock rights in business entity 12 are receiving said stock rights as a quid pro quo in partial consideration for allowing the business entity 12 to secure the stock rights (e.g., DSSP rights) in the portfolio entities 12.

Typically, investors will commit or promise to invest a certain amount of capital into the fund 14 in advance of the actual payment. Preferably, the business entity 12 will commit to transfer options to investors 18 to purchase a certain number of shares in the business entity 12 at the same time that the investors 18 commit to making capital contributions. However, it is also preferable that the options not be exercisable immediately and that they be forfeited if the investor 18 does not fulfill its contractual commitments. It is preferred that the options in the business entity 12 vest only as the investors 18 make their capital call contributions when called to do so by the fund managing entity 16. It is also preferred that the options vest on a pro-rata basis. That is, the options will vest on a percentage basis in accordance with the capital contributions actually made as a percentage of the total commitment. It is also contemplated that the number of options made available to individual investors 18 are commensurate with the amount of capital committed into the fund 14.

Preferably, the options will have a predetermined duration. That is, the investors 18 will be given a certain period of time to exercise the options to purchase shares in business entity 12, after which time the options will expire. The options will be exercisable at a predetermined price. Preferably the option price is established on the date that escrow is

broken on the fund 14 and will preferably be based on the fair market value of the business entity 12 at that time.

In accordance with another aspect of the invention, shareholders in the business entity 12, including those investors 18 that have become shareholders by virtue of exercising options for which they have become eligible through meeting the threshold investment amount in fund 14, will benefit from directed share subscription programs (DSSPs) and/or rights offerings offered by the business entity 12. Particularly, in accordance with one aspect of the invention, in consideration of the fund 14 investing in portfolio entities 20, the portfolio entities 20 will execute an agreement committing that, in the event the portfolio entity 20 is subject to an initial public offering (IPO), a certain portion of the IPO shares will be made available (locked-up) in favor of the business entity 12.

As a result, during a rights offering or DSSP, shareholders in the business entity 12, including those investors 18 that have become shareholders by exercising their options in the business entity 12 through the fund 14, will become eligible to purchase stock in a portfolio entity 20 subject to its IPO and at the IPO price. Of course, other shareholders in the business entity 12 who are direct shareholders (not through the fund 14) will also be entitled to purchase IPO stock in a portfolio entity subject to an IPO. Preferably, the shareholders in business entity 12 will be permitted to purchase a certain percentage of the IPO shares made available to the business entity 12 based upon a pro-rata percentage ownership in the shares of business entity 12. It is contemplated, however, that only shareholders that have at least a threshold number or percentage of shares in the business entity 12 be eligible to purchase IPO shares in the portfolio entities 20. In the event that certain shareholders are not eligible to participate in an IPO or choose not to participate, it is contemplated that those IPO shares will be offered on a pro-rata basis to the remaining shareholders in the business entity 12, or may be given to the underwriter of the IPO for it to offer.

Preferably, shareholders of record (e.g., direct shareholders and option holders that have exercised their options in business entity 12) at the time of the Securities and Exchange Commission's initial IPO filing on behalf of a portfolio entity 20 will be entitled to participate in a given IPO.

As noted above, it is contemplated that the fund managing entity 16 will employ at least one other fund managing entity 26 to direct investment decisions for the fund 14. It is further contemplated, in accordance with another aspect of the invention, for such at least one other fund managing entity 26 to receive some of the stock rights (e.g., options) in the business entity 12 at a level to be negotiated. In one embodiment, the amount of stock rights to which said at least one other fund managing entity 26 is entitled to be granted is based upon the performance of the fund 14 and/or the tenure of the said at least one other fund managing entity 26. The granted stock rights provide a vehicle through which the investment decision maker can participate in the success of the business entity 12 and also participate in any IPO that one of the portfolio entities 20 is subject to. This is beneficial in that it will help enable the business entity 12 to attract exceptional personnel to manage the investment decisions for the fund 14.

In accordance with another aspect of the invention, the portfolio entities 20 are also provided with stock rights in the business entity 12 at a level to be negotiated. This will enable the business entity to attract the most promising portfolio entities 20, and enable portfolio entities 20 to participate in IPOs of other portfolio entities that are within the fund 14 or a family of funds controlled by the business entity 12.

It can be appreciated that, in accordance with one aspect of the invention, the interests of a wide variety of stakeholders in a distributed and integrated venture capital enterprise are aligned.

It is further contemplated that the business entity 12 may invest directly in additional portfolio entities 22, other than those invested in through a fund.

It is further contemplated that an investment manager/advisor 24 may provide investment advice to the fund 14, and receive an annual management fee, preferably 2% of the committed capital to the fund 14. This investment manager/advisor 24 is optional, as it is relevant in only certain jurisdictions such as New York City to address certain issues, such as organizational tax issues such as the unincorporated business tax. Otherwise, the function of the investment manager/advisor 24 can be performed by the fund managing entity 16. For the purpose of this disclosure, the term "fund managing entity" includes the investment manager/advisor 24 in the instance in which it is a separate entity. In other words, the investment/advisor 24 can be considered as being subsumed or part of the fund managing entity 16.

As also illustrated in Figure 1, a second fund 30 (or several funds) may also be established by the business entity 12. The fund 30 is run in the same manner as fund 14. Specifically, fund 30 is managed by a fund managing entity 32 and has limited partner investors 34. The fund 30 invests in portfolio business entities 36.

Business entity 12 controls what may be considered a family of funds, including, but not limited to, funds 14 and 30.

In accordance with an aspect of the invention, investors 18 and 34 who have obtained stock rights in business entity 12 through making a threshold minimum investment in the associated funds 14 or 30, and have thereby subsequently become shareholders in business entity 12, are able to participate in an IPO in any one of the portfolio entities 20, 22 or 36, whether or not those entities 20, 22 or 36 have been invested in by the fund in which the investors have invested. For example, investors 18 in fund 14 that have met the minimum investment threshold will be entitled to participate in the IPOs of portfolio entities 22 and 36,

so long as they have become shareholders in business entity 12 by exercising their stock rights.

The principles set forth herein apply to both rights offerings and DSSPs. During a rights offering, business entity 12 shareholders will receive rights (similar to call options) that allow them to purchase stock in a portfolio entity 20 at the IPO price. The DSSP program is a "partial" rights offering, wherein a portfolio entity 20 is taken public to a combination of business entity 12 shareholders and outside underwriters' books of business. In the DSSP instance, it is contemplated that the business entity 12 shareholders will participate in the IPO according to their ownership interests in the business entity 12 subject to the percentage of the offering that is being distributed by the underwriters. The DSSP has an advantage over rights offerings in that it shares the wealth with underwriters and increases distribution and post-IPO analyst coverage. Nevertheless, the principles and advantages set forth herein apply to rights offerings as well as DSSPs.

It is further contemplated that a method of distributing stock rights as described herein may be practiced using one or more computers, each computer including one or more processors or other arrays of logic elements capable of receiving data and executing instructions on the data. FIGURE 2 shows a flowchart for a method according to one embodiment of the invention. In act A200, capital contribution information (CCI) is received. The CCI relates to an amount of capital contributed to the fund by a particular investor. In one example, the CCI indicates a total amount in U.S. dollars that the investor has contributed or otherwise committed to the fund.

FIGURE 3 shows an exemplary implementation A202 of act A200. In act A210, an investor identifier is received. For example, the investor identifier may be entered by an operator at a keyboard or may be received over a network or other communications link from a remote operator, another computer, or another portion of a computer. In such case, the

investor identifier may be the name of the investor or another string of symbols that identifies the investor (e.g. an identification number). In another example, the investor identifier may be a string of symbols produced by another sequence of instructions (e.g. in response to an operator or other input as described above). In act A220, the CCI is retrieved from a storage element according to the investor identifier. For example, the investor identifier may indicate a memory location or a database entry where the CCI may be found. Alternatively, the CCI may be retrieved according to the investor identifier in conjunction with other information relating to the investor and/or to the fund. For example, a fund identifier (which may be received or produced in a manner similar to that described above for the investor identifier) may also be used in retrieving the CCI.

In act A300, the CCI is compared to a predetermined threshold amount. In one example, the comparison includes testing the proposition that the CCI exceeds the threshold amount, although in another example a different relation (i.e. the proposition that the CCI is less than the threshold amount) may be tested instead. If the comparison fails, the method may terminate with respect to this particular investor and fund, although the method may continue with respect to contributions by the investor to other funds and/or contributions by one or more other investors to the fund.

If the comparison of act A300 succeeds, then in act A400 stock rights are assigned to the investor. In one example, a predetermined amount of stock rights may be assigned to the investor. Alternatively, stock rights may be assigned according to an implementation A402 of task A400 as shown in FIGURE 4. In act A410, a total capital contribution amount (TCCA) is received. The TCCA relates to a total amount of capital contributed to the fund by all of the investors (or possibly by a selected set of investors). In one example, the TCCA indicates a total amount in U.S. dollars that the investors have contributed or otherwise committed to the fund. In a manner analogous to the retrieval of the CCI in act A202 as

shown in FIGURE 3 and described above, the TCCA may be retrieved from a storage element according to a fund identifier (e.g. as mentioned above).

In act A420, a relation between the CCI and the TCCA is calculated, and in act A430 stock rights are assigned to the investor according to the relation. In FIGURE 5, an implementation A404 of act A400 is described that includes implementations A422 and A432 of acts A420 and A430, respectively. In act A422, a stock ownership percentage (SOP) is calculated based on the CCI and the TCCA. For example, the SOP may be calculated as the percentage of the TCCA that the CCI represents. In act A432, stock rights are assigned to the investor according to the SOP. For example, a percentage of stock rights that is equal to the SOP may be assigned to the investor.

The foregoing specific embodiment has been provided to illustrate the principles of the present invention and is not intended to be limiting. To the contrary, the present invention is intended to encompass all modifications, substitutions, and alterations within the spirit and scope of the appended claims.



WHAT IS CLAIMED IS:

1. A method of operating a venture capital investment business, comprising:
  - establishing a business entity;
  - said business entity establishing an investment fund;
  - establishing a fund managing entity of said investment fund, said fund managing entity attending to administrative matters relating to said investment fund and making investment decisions for the fund;
  - said investment fund having investors that provide capital contributions to said fund, said fund managing entity also providing capital contributions to said fund, said fund utilizing said contributions to invest in portfolio entities;
  - said investors receiving a general participation interest in said fund, and said fund managing entity receiving a carried interest in said fund;
  - providing said investors that have provided at least a threshold capital contribution to said fund with stock rights in said business entity to enable such investors to become shareholders in said business entity;
  - said business entity securing a portion of IPO shares that become available in said portfolio entities; and
  - said business entity enabling shareholders thereof to purchase IPO shares that become available in said portfolio entities.
2. A method of operating a venture capital investment business according to claim 1, wherein said fund managing entity employs at least one other fund managing entity 26 to direct investment decisions, said at least one other fund managing entity 26 also being provided with stock rights in said business entity.

3. A method of operating a venture capital investment business according to claim 2, wherein said portfolio entities also receive stock rights in said business entity.

4. A method of operating a venture capital investment business according to claim 1, wherein in partial consideration for said fund investing in said portfolio entities, said portfolio entities agree that a portion of IPO shares that become available as a result of an IPO therein will be made available to shareholders of said business entity.

5. A method of operating a venture capital investment business according to 4, wherein said shareholders of said business entity will be entitled to a percentage of said portion of IPO shares that is based on a pro-rata percentage of their stock ownership in said business entity, less any shares allocated otherwise.

6. A method of operating a venture capital investment business according to claim 5, wherein said shareholders in said business entity include:

- 1) direct shareholders in business entity;
- 2) said investors in said fund that have exercised stock options that they obtained in said business entity;
- 3) said at least one other fund managing entity that has exercised stock options that it obtained in said business entity; and
- 4) said portfolio entities that have exercised stock options that they obtained in said business entity.

7. A method of operating a venture capital investment business according to claim 1, wherein said business entity invests directly in additional portfolio entities, other than said portfolio entities invested in through said investment fund.

8. A method of operating a venture capital investment business according to claim 1, further comprising an investment manager/advisor that provides investment advice to the fund.

9. A method of operating a venture capital investment business according to claim 1, wherein said stock rights are options.

10. A method of operating a venture capital investment business according to claim 1, wherein said business entity establishes a family of investment funds, each of said funds investing in associated portfolio entities;

providing investors that have provided at least a threshold capital contribution to at least one of said funds with stock rights in said business entity to enable such investors to become shareholders in said business entity; and

said business entity enabling shareholders thereof to purchase IPO shares that become available in any of said portfolio entities of said family of funds.

11. A method of operating a venture capital investment business according to claim 10, wherein said business entity enables shareholders thereof to purchase IPO shares that become available in portfolio entities invested in directly by said business entity.

12. A method of operating a venture capital investment business according to claim 1, wherein said stock rights are warrants.

13. A method of operating a venture capital investment business according to claim 1, wherein said portfolio entities are also provided with stock rights in the business entity.

14. A method of operating a venture capital investment business, comprising:  
establishing a business entity,  
said business entity establishing an investment fund;  
establishing a fund managing entity of said investment fund, said fund managing entity attending to administrative matters relating to said investment fund;  
said investment fund having investors that provide capital contributions to said fund, said fund managing entity also providing capital contributions to said fund, said fund utilizing said capital contributions to invest in portfolio entities;  
obtaining an agreement from said portfolio entities that a portion of IPO shares that became available as a result of an IPO therein will be made available to said business entity; and  
providing investors that have provided a threshold capital contribution amount to said fund with stock rights to purchase shares in said business entity, said investors thereby having an opportunity to purchase some of said IPO shares at the IPO price if such stock rights are exercised.

15. A method of operating a venture capital investment business according to claim 14, wherein said investors are provided with stock rights to purchase shares in the

business entity as partial consideration for said shareholders agreeing for said business entity to secure DSSP or rights offering rights in said portfolio entities through said fund.

16. A method of operating a venture capital investment business, comprising:
- establishing a business entity,
  - said business entity establishing an investment fund;
  - establishing a fund managing entity of said investment fund, said fund managing entity attending to administrative matters relating to said investment fund;
  - said fund managing entity having at least one other fund managing entity to direct investment decisions for said fund,
  - said investment fund having investors that provide capital contributions to said fund, said fund managing entity also providing capital contributions to said fund, said fund utilizing said contributions to invest in portfolio entities;
  - obtaining an agreement from said portfolio entities that a portion of IPO shares that became available as a result of an IPO therein will be made available to said business entity;
  - providing said at least one other fund managing entity 26 with stock rights in said business entity to enable said at least one other fund managing entity 26 to become shareholders in said business entity;
  - said business entity securing a portion of IPO shares that become available in said portfolio entities; and
  - said business entity enabling shareholders thereof to purchase IPO shares that become available in said portfolio entities.

17. A method according to claim 14, where an amount of IPO shares that said at least one other fund managing entity 26 is entitled to obtain is based upon the performance of said fund and/or tenure of said at least one other fund managing entity 26.

18. A method of distributing stock rights, said method comprising:  
receiving capital contribution information relating to an amount of capital contributed by an investor to a fund, the fund having investments in a portfolio entity;  
comparing the capital contribution information to a threshold value; and  
consequent to said comparing, assigning to the investor stock rights in a business entity having stock rights in the portfolio entity.

19. The method of distributing stock rights according to claim 18, wherein receiving capital contribution information includes:  
receiving an investor identifier associated with the investor; and  
based at least in part on a correspondence between the investor identifier and the capital contribution information, retrieving the capital contribution information from a computer storage element.

20. The method of distributing stock rights according to claim 18, wherein the business entity has secured access to IPO shares in the portfolio entity, and  
wherein when stock rights in the business entity are exercised by said investors, those investors have a right to purchase a specified portion of the IPO shares.

21. The method of distributing stock rights according to claim 18, wherein said assigning stock rights includes allocating stock rights to the investor based at least in part on a relation between the capital contribution information and a total capital contribution amount by the investor.

22. The method of distributing stock rights according to claim 21, wherein allocating stock rights to the investor includes:

receiving a fund identifier associated with the fund; and

based at least in part on a correspondence between the fund identifier and the total capital contribution amount, retrieving the total capital contribution amount from a computer storage element.

23. The method of distributing stock rights according to claim 21, wherein allocating stock rights to the investor includes calculating a stock ownership percentage in the business entity,

wherein said stock ownership percentage is based at least in part on the relation between the capital contribution information and a total capital contribution amount.

24. The method according to claim 18, further comprising:

monitoring vesting of said stock rights based on said investors compliance with their commitments to make further investments.

25. A data storage medium, said data storage medium having machine-readable code stored thereon, the machine-readable code including instructions executable by an array of logic elements, the instructions defining a method comprising:

receiving capital contribution information relating to an amount of capital contributed by an investor to a fund, the fund having investments in a portfolio entity;

comparing the capital contribution information to a threshold value; and

consequent to said comparing, assigning to the investor stock rights in a business entity having stock rights in the portfolio entity.

## ABSTRACT

A method of operating a venture capital investment business, comprising establishing a business entity; the business entity establishing an investment fund; establishing a fund managing entity of the investment fund, the fund managing entity attending to administrative matters relating to the investment fund and making investment decisions for the fund; the investment fund having investors that provide capital contributions to the fund, the fund managing entity also providing capital contributions to the fund, the fund utilizing the contributions to invest in portfolio entities; the investors receiving a general participation interest in the fund, and the fund managing entity receiving a carried interest in the fund; providing the investors that have provided at least a threshold capital contribution to the fund with stock rights in the business entity to enable such investors to become shareholders in the business entity; the business entity securing a portion of IPO shares that become available in the portfolio entities; and the business entity enabling shareholders thereof to purchase IPO shares that become available in the portfolio entities.





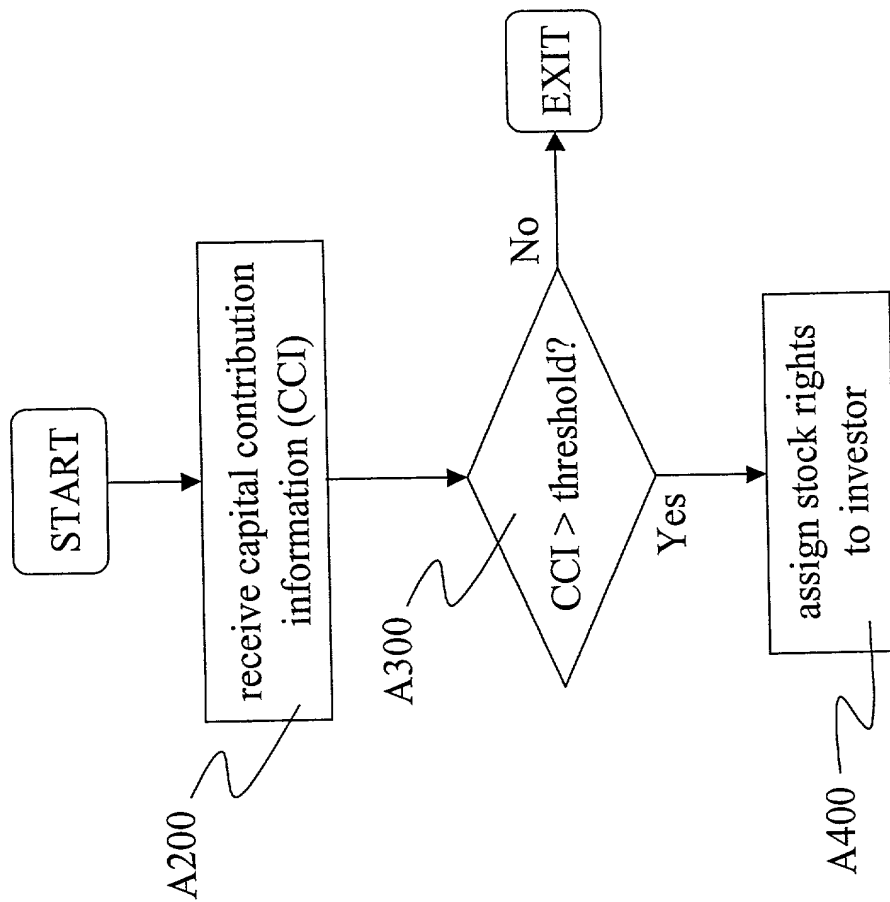


FIG. 2



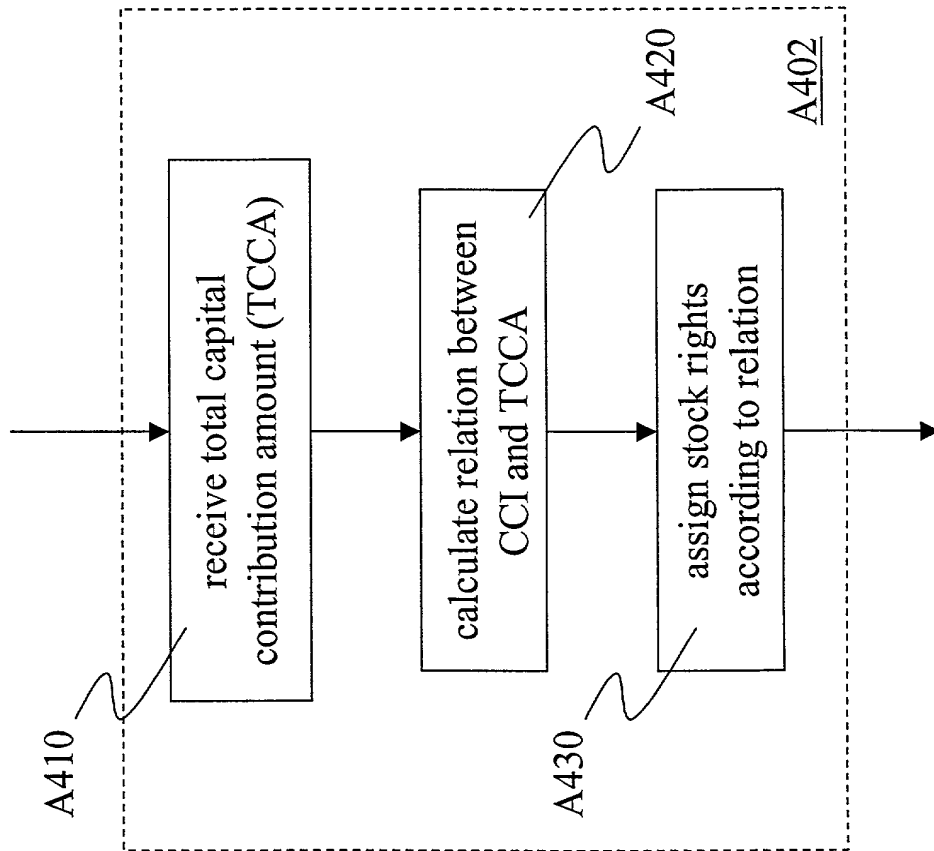


FIG. 4

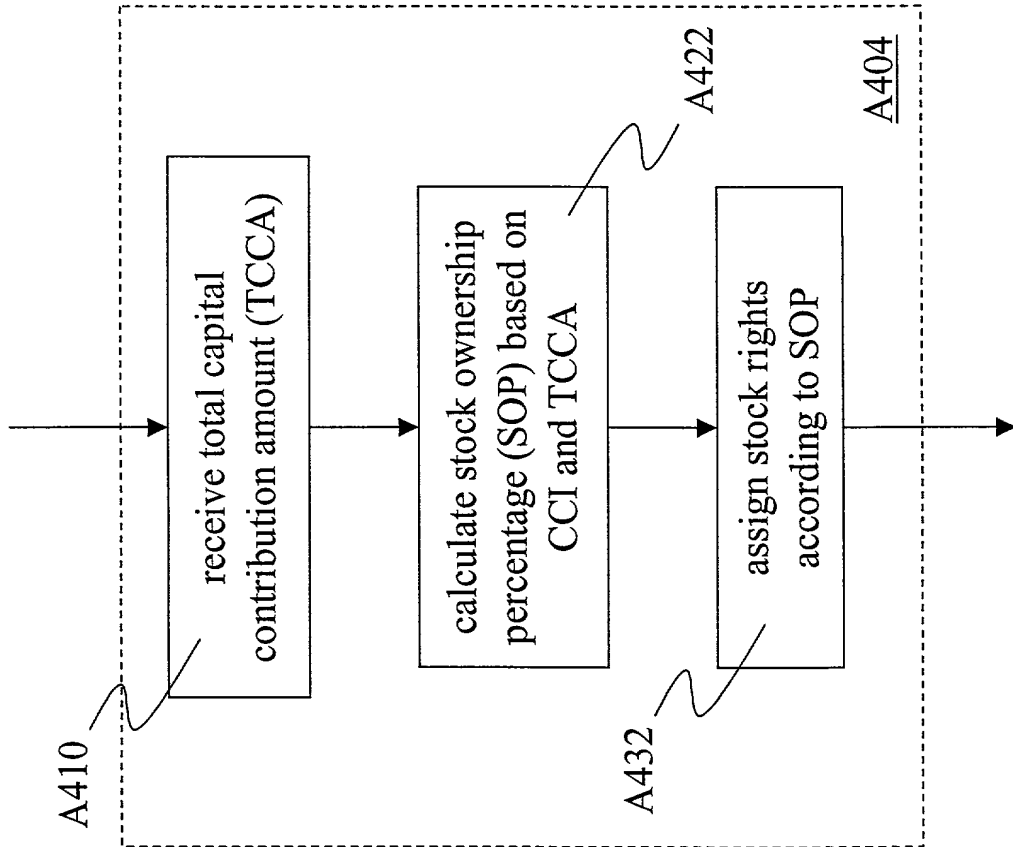


FIG. 5

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**RULE 83 (37 C.F.R. 1.83)  
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FORM**

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the specification of which (CHECK applicable BOX(ES))  
☒ A. ☒ is attached hereto.  
☐ B. ☐ was filed on \_\_\_\_\_ as U.S. Application No. \_\_\_\_\_ /  
☐ C. ☐ was filed as PCT International Application No. PCT/ \_\_\_\_\_ / on \_\_\_\_\_  
 and (if applicable to U.S. or PCT application) was amended on \_\_\_\_\_

I hereby state that I have reviewed and understand the contents of the above identified specification, including the claims, as amended by any amendment referred to above. I acknowledge the duty to disclose all information known to me to be material to patentability as defined in 37 C.F.R. 1.56. Except as noted below, I hereby claim foreign priority benefits under 35 U.S.C. 119(a)-(d) or 305(b) of any foreign application(s) for patent or inventors certificate, or 356(a) of any PCT International Application which designated at least one other country than the United States, listed below and have also identified below any foreign application for patent or inventors certificate, or PCT International Application, filed by me or my assignee disclosing the subject matter claimed in this application and having a filing date (1) before that of the application on which priority is claimed, or (2) if no priority claimed, before the filing date of this application:

PRIOR FOREIGN APPLICATION(S) Number	Country	Date first Filed open or Published	Date Patented or Granted	Priority NOT Claimed

If more prior foreign applications, X box at bottom and continue on attached page.

Except as noted below, I hereby claim domestic priority benefit under 35 U.S.C. 119(e) or 120 and/or 305(c) of the indicated United States applications listed below and PCT International applications listed above or below and, if this is a continuation-in-part (CIP) application, insofar as the subject matter disclosed and claimed in this application is in addition to that disclosed in such prior applications, I acknowledge the duty to disclose all information known to me to be material to patentability as defined in 37 C.F.R. 1.56 which became available between the filing date of each such prior application and the national or PCT International filing date of this application:

PRIOR U.S. PROVISIONAL, NONPROVISIONAL AND/OR PCT APPLICATION(S) Application No. (series code/serial no.)	Date/MONTH/Year Filed	Status pending, abandoned, patented	Priority NOT Claimed

I hereby declare that all statements made herein of my own knowledge are true and that all statements made on information and belief are believed to be true; and further that those statements were made with the knowledge that willful false statements and the like so made are punishable by fine or imprisonment, or both, under Section 1001 of Title 18 of the United States Code and that such willful false statements may jeopardize the validity of the application or any patent issued thereon.

And I hereby appoint Pillsbury Madison & Suto LLP, Intellectual Property Group, 1100 New York Avenue, N.W., Ninth Floor, East Tower, Washington, D.C. 20005-3919, telephone number (202) 551-3000 (to whom all communications are to be directed), and the below-named persons (of the same address) individually and collectively my attorneys to prosecute this application and to transact all business in the Patent and Trademark Office connected therewith and with the resulting patent, and I hereby authorize them to delete names/numbers below of persons no longer with their firm and to so end rely on instructions from and communicate directly with the person/assignee/attorney/firm/organization who/which first sends/sent this case to them and by whom/which I hereby declare that I have consented after full disclosure to be represented unless/until I instruct the above firm and/or a below attorney in writing to the contrary.

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FOR ADDITIONAL INVENTORS, 'X' box ☐ and proceed on the attached page to list each additional inventor.  
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